

Message Text

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FM SECSTATE WASHDC
TO USMISSION EC BRUSSELS PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: CHEESE AND COUNTERVAILING DUTIES

REF: (A)EC BRUSSELS 1012; (B)EC BRUSSELS 951; (C) STATE
025576

1. STR AND TREASURY BRIEFED DAIRY AND CONGRESSIONAL REPS.
AGAIN FEBRUARY 6. STR (LANDE) PROVIDED INDUSTRY REPS. WITH
AVAILABLE PRICE GAPS COMMUNICATED TELEPHONICALLY BY MISSION
AS WELL AS OTHER POINTS IN REFTEL (A).

2. DAIRY REPS. SEEMED SATISFIED WITH PRICE GAPS ON MOST
SPECIALTY CHEESES SINCE TOTAL IMPORTS SMALL AND MARKETS
LONG ESTABLISHED.

3. A MAJOR CONCERN OF DAIRY REPS. RELATED TO OLD ISSUE OF
WHETHER EC CHEDDAR IS CLASSIFIABLE AS MONTEREY UNDER U.S.
STANDARDS. THEY SAW AN OPPORTUNITY FOR THAT CHEESE TO
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BECOME MORE COMPETITIVE DEPENDING ON MOISTURE CONTENT OF A

GIVEN SHIPMENT. "HIGH MOISTURE" MONTEREY BEARING SAME
RESTITUTION PAYMENT AS "GRADING-TYPE" MONTEREY COULD

OBTAIN IF POSSIBLE THE FAT AND MOISTURE CONTENT OF MONTEREY

CHEESE ELIGIBLE FOR RESTITUTION AND WHETHER OR NOT THESE
PROPERTIES MAY VARY FOR CERTAIN KINDS OF CHEESE CLASSIFIED
AS MONTEREY. IF THIS IS THE CASE, MISSION IS REQUESTED
TO ASCERTAIN ANTICIPATED EXPORT QUANTITIES OF THE DIFFER-
ENT TYPES OF MONTEREY. WE ASSUME RESTITUTION WOULD NOT
APPLY TO GRADING TYPE WHICH WOULD HAVE FAT CONTENT IN DRY
MATTER OF NOT LESS THAN 30 PERCENT BUT WOULD APPLY TO MON-
TEREY WITH FAT CONTENT OF 39 PERCENT OR MORE. PLEASE
CONFIRM.

4. DAIRY SPOKESMEN ALSO EXPRESSED REAL CONCERN OVER PRICE
GAPS AND RESTITUTIONS FOR PROCESSED CHEESES WHICH WERE NOT
AVAILABLE AT MEETING BUT WERE SUBSEQUENTLY PROVIDED TO
THEM. WE HAVE NO FINAL REACTION ON THIS ISSUE, BUT IT WAS
MADE CLEAR THAT THIS WAS POTENTIALLY THE GREATEST PROBLEM
DUE TO THE VARIOUS MARKET OPPORTUNITIES FOR PROCESSED
IMPORTS DEPENDING ON FAT CONTENT AND OTHER CONSIDERATIONS.

5. INDUSTRY REPS. ALSO QUERIED WHETHER EC ADOPTS PRACTICE
FOR SOME OF ITS CHEESES SIMILAR TO THAT WHICH THE SWISS
EMPLOY FOR EMENTHALER, WHERE THE SAME QUALITY CHEESE IS
ARBITRARILY DOWNGRADED IN ORDER TO CLEAR STOCKS. THIS
COULD BE A PROBLEM IF A CHEESE IS RECEIVING AN ARTIFICI-
ALLY LOW PRICE DOMESTICALLY BUT RECEIVES THE SAME
RESTITUTION AS THE HIGHER QUALITY CHEESE. MISSION IS
REQUESTED TO DETERMINE IF SUCH PRACTICE EXISTS IN THE EC.

6. DAIRY REPS. WERE WARY OF EC MOTIVATION IN AGREEING
TO SYSTEM OF PRICE GAPS WHICH SEEMINGLY PROVIDES SUBSTAN-
TIAL ADVANTAGE TO U.S. PRODUCERS OF MOST SPECIALTY AND
PROCESSED CHEESES. THEY EXPRESSED VIEW THAT AS SURPLUSES
BUILD UP, PRICES WOULD DROP AND THE GAP WOULD INEVITABLY
NARROW ENABLING LARGE QUANTITIES OF EC CHEESES TO ENTER
U.S. BEFORE ADJUSTMENT PROCESS COULD COME INTO EFFECT.
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THEIR FEELING IS THAT PROPOSED CONSULTATION AND ADJUSTMENT
MECHANISMS WOULD THUS BE PUT TO USE ONLY AFTER DAMAGING
INROADS TO U.S. MARKET. MISSION REQUESTED RELAY THIS
CONCERN TO APPROPRIATE COMMISSION OFFICIALS AND REPORT ANY
RESPONSE WHICH MIGHT BE OF VALUE IN SUBSEQUENT DISCUSSIONS
WITH DAIRY REPRESENTATIVES. INGERSOLL

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